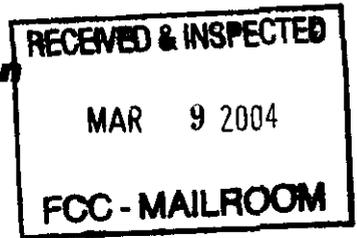


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David Y. Peyton
Director
Technology Policy

January 26, 2004

ORIGINAL

Notice of Written *Ex Parte* Presentation

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.,
Washington, DC 20554

Re: In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket No. 01-338;

Dear Ms. Dortch:

Today, the National Association of Manufacturers mailed the enclosed cover letter and press release, making reference to this docket, to all the members of the Commission. I have included a copy of the letter as sent to Chairman Powell.

Respectfully submitted,

Enclosure

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Manufacturing Makes America Strong

1331 Pennsylvania Avenue, NW Washington, DC 20004-1790 (202) 637-3147 Fax (202) 637-3182 dpeyton@nam.org

Jerry J. Jasinowski

President

NAM National Association
of Manufacturers

January 26, 2004



Honorable Michael Powell
Chairman
Federal Communications Commission
445 12th St., NW
Room 844
Washington, DC 20554

Dear Mr. Chairman:

I would like to make you aware of the press release that the National Association of Manufacturers (NAM) issued just before the holidays (enclosed), prompted by the release of the latest *Digital Economy* report from the Department of Commerce. Essentially, we said that revival of the telecommunications industry has positive ramifications for the entire economy well beyond the industry itself. Faced with the sharp recent job loss in manufacturing, the United States has no choice but to work hard to maintain an innovation and productivity advantage over the rest of the world. Increased broadband deployment will prove vital in that regard.

We urge the Commission to keep this frame of reference in mind with respect to the reconsideration of its order in the Unbundled Network Element Triennial Review. The Commission can serve best by adopting a broad interpretation of its new policy that pricing and interconnection rules designed for legacy voice plant not be imposed on new plant designed to afford broadband services. The NAM strongly supports the policy and wants to see it come into effect promptly.

According to financial analysis by Lehman Brothers (as reported in the January 12 issue of *Business Week*), the telecom downturn has ended and capital expenditures will rise this year, but only by five percent to a still-depressed \$58 billion. While bottoming out is long-awaited good news, the magnitude of the spending increase does not nearly match what the economy needs to boost productivity. Weak capital expenditures in telecommunications will not self-correct to a nearly adequate degree, and the latest report confirms again the need for proactive, deregulatory federal policy.

With all best wishes.

Sincerely,

Enclosure

cc: All Other Commissioners

Manufacturing Makes America Strong

NEWS ALERT

NAM National Association
of Manufacturers

03-342

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FOR IMMEDIATE RELEASE

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NAM SAYS NATIONAL TELECOM POLICY IS ESSENTIAL TO ECONOMIC GROWTH

Jasinowski Sees Gains in Productivity and Employment

WASHINGTON, December 19, 2003 — “The National Association of Manufacturers today calls for a bold new telecommunications policy to reduce costs, improve productivity, encourage innovation and increase employment,” said Jerry Jasinowski, President of the NAM. “When Congress and the Administration return in January, telecom reform should be high on their agenda.

“This is not an industry-specific issue,” Jasinowski said. “Communications are vital to our economy at all levels. The general economy, overall employment and manufacturing productivity would all benefit from a new policy that encourages higher investment and innovation in telecommunications. A more sensible telecom policy would in turn increase investment in telecom equipment manufacturing, and make possible gains in productivity.

“While the economy is showing improvement right now, the telecom sector remains in a slump,” Jasinowski observed, citing the “continued weakness” observed in the fifth *Digital Economy* report from the Department of Commerce, released December 16. “Capital expenditures by telecommunications carriers have fallen precipitously since 2001, and now stand at about half their peak of \$70 billion. With carriers not investing, communications equipment vendors have reduced employment significantly. Since the end of 2000, employment in telecommunications services has fallen by 203,000, while another 85,000 jobs have been lost among communications equipment manufacturers. The overall 288,000 jobs lost account for one in eight of the 2.3 million jobs lost in that time

“In addition to this cyclical slump, the telecommunications industry has seen its cash flow reduced by the indirect costs associated with intrusive regulations and multiple taxation,” Jasinowski said. “Telecom clearly suffers from the untenable cost burden detailed in our new study, *How Structural Costs Imposed On U S Manufacturers Harm Workers And Threaten Competitiveness*. This is yet another example of how the U.S. continues to shoot itself in the foot with policies that deter investment and growth, and undermine our competitiveness.”

Looking at the longer term, Jasinowski called attention to a recently-released study from Lexecon by Nobel Prize-winning economists Kenneth Arrow, Gary Becker, and Robert Solow. It cites research showing that telecommunications infrastructure contributed 25 percent of overall efficiency gains in the U.S. economy over a 15-year period. “We can achieve those productivity gains again,” Jasinowski said.

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NAM CALLS FOR TELECOM POLICY/Page Two

U.S. also trails 10 other nations in broadband subscribers per capita, largely because of ad hoc policy characterized by excessive regulation and taxation, added David Peyton, the NAM's director of technology policy. "This means not enough businesses and individuals have access to high-speed DSL broadband service," Peyton explained. "This handicap is especially pronounced among small businesses that do not have cable service. Too many small manufacturing plants still face a choice of dial-up, which is too slow, or leased phone lines, which are too expensive.

"The FCC went so far in creating a secondary market that it undercut incentives for both incumbents and new entrants to invest in new plant," Peyton said. "This highly regulated environment is a major impediment to gains in e-commerce efficiency. In both the Unbundled Network Element proceeding at the FCC, and related litigation, it is imperative that new local broadband plant not be forced to carry the knapsack of excessive rules designed for legacy voice plant on its back."

"Moving forward with an aggressive deregulation of the telecom sector would reduce costs and increase investment and employment both in telecom and related sectors," Jasinowski said. "This would provide a welcome boost to economic growth, and help assure strong growth and productivity over the next several years

"Bold policy action must be taken now," Jasinowski said. "I call on the Bush Administration to come forward with an affirmative deregulatory, strategic policy to promote capital expenditures and broadband deployment with a view to the transition from mixed analog and digital signals to all digital, and to promote this policy before the FCC, the courts, and the Congress. Policy will clearly have to go beyond adding new local plant, to embrace a new goal of beating the rest of the world to all-digital telecommunications. To reach that overarching goal, we will need to find an exit strategy from the current thicket of FCC- and state-imposed pricing rules whose overhang far outweighs their modest benefit "

Jasinowski closed with a warning and a call to action: "Our country's economic leadership is challenged today as never before," he said. "It is imperative that we employ every advantage in our economic arsenal to defend our standing in the global economy. Telecommunications has provided a key global competitive advantage for the United States, and we need to get that advantage back."

The National Association of Manufacturers is the nation's largest industrial trade association. The NAM represents 14,000 members (including 10,000 small and mid-sized companies) and 350 member associations serving manufacturers and employees in every industrial sector and all 50 states. Headquartered in Washington, D C, the NAM has 10 additional offices across the country.

Be sure to visit our award-winning web site at www.nam.org for more information about legislative, policy and workplace developments affecting manufacturers, employees and the economy.

- NAM -